

Message Text

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XMB

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FM SECSTATE WASHDC
TO AMEMBASSY MONROVIA

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E.O. 11652: N/A

TAGS:BPRO

SUBJECT: COOPERATIVE FINANCING FACILITY PROGRAM

1. MR. GEORGE BYNUM OF CONTINENTAL MARKETING CORPORATION OF THE REPUBLIC OF LIBERIA HAS REQUESTED THAT WE PROVIDE INFORMATION ON THE COOPERATIVE FINANCING FACILITY TO MR. JALLAH PROUT OF THE LIBERIAN FINANCE CORP. SINCE THE INFORMATION YOU HAVE IS OUTDATED, WE HAVE OUTLINED A DESCRIPTION OF THE CFF PROGRAM AND HOW IT WORKS. PLEASE RELAY THIS INFORMATION TO MR. PROUT.

2. DESCRIPTION OF THE CFF. THE CFF IS A MEDIUM-TERM
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DIRECT CREDIT PROGRAM THROUGH WHICH EXIMBANK PROVIDES NON-REVOLVING LINES OF CREDIT TO ELIGIBLE FOREIGN FINANCIAL INSTITUTIONS (COOPERATING INSTITUTIONS OR CI'S). IN TURN, THESE INSTITUTIONS RELEND THE FUNDS TO FOREIGN PURCHASERS OF U.S. GOODS AND SERVICES. THE COOPERATING INSTITUTIONS ASSUME THE RISKS UNDER THESE TRANSACTIONS. SHOULD THE ULTIMATE PURCHASER DEFAULT ON ITS LOAN, THE CI IS REQUIRED TO CONTINUE ITS REPAYMENT TO EXIMBANK.

3. THE EXIMBANK LOAN TO THE CI EQUALS 50 PERCENT OF THE REQUESTED LINE OF CREDIT (OR 42.5 PERCENT OF THE TOTAL CONTRACT VALUE) EXTENDED AT 8 PERCENT. THE OTHER 50 PERCENT OF THE FUNDS WOULD BE PROVIDED BY THE CI FROM ITS OWN RESOURCES. SHOULD THE CI WISH TO BORROW ITS HALF FROM A U.S. BANK, EXIMBANK MAY GUARANTEE REPAYMENT TO THE LENDER (PARTICIPATING FINANCIAL INSTITUTION). HOWEVER, GUARANTEES ISSUED IN CONJUNCTION WITH LINES OF CREDIT ARE AUTHORIZED ONLY WHEN CONDITIONS IN THE CI'S COUNTRY PREVENT IT FROM (1) FUNDING ITS HALF OF THE FINANCING, OR (2) BORROWING FROM A THIRD SOURCE WITHOUT EXIMBANK ASSISTANCE.

4. ON EXIMBANK'S 50 PERCENT DIRECT CREDIT, THE FOREIGN BANK CAN CHARGE THE PURCHASER UP TO 2 1/2 PERCENT ABOVE EXIMBANK'S LENDING RATE (PRESENTLY 8 PERCENT), OR 10 1/2 PERCENT. IF THE OTHER HALF OF THE FUNDS IS BORROWED WITH EXIMBANK GUARANTEE, THE CI CAN CHARGE THE PURCHASER UP TO 2 1/2 PERCENT OVER THE RATE OF THE LENDING BANK. IF THE CI'S HALF IS FUNDED FROM ITS OWN RESOURCES, THE CHARGE TO THE ULTIMATE BUYER ON THAT HALF CAN BE WHATEVER RATE THE CI DEEMS APPROPRIATE. AS A RESULT, THE EFFECTIVE RATE TO THE BUYER IS THE BLENDED RATE OF INTEREST CHARGED BY UNCLASSIFIED

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EXIMBANK, THE CI, AND/OR THE PARTICIPATING FINANCING INSTITUTION.

5. THE MAXIMUM CONTRACT VALUE OF AN INDIVIDUAL EXPORT TRANSACTION ELIGIBLE FOR CFF FINANCING WILL BE LIMITED TO U.S. DOLS 500,000. THEREFORE, EXIMBANK'S PARTICIPATION IN A LOAN OF THIS SIZE WILL BE APPROXIMATELY U.S. DOLS 212,500 (42.5 PERCENT). EXIMBANK WILL CONSIDER EXCEPTIONS TO THIS GUIDELINE IF IT CAN BE DEMONSTRATED THAT A PARTICULAR SALE CANNOT BE FINANCED THROUGH OTHER EXIMBANK PROGRAMS.

6. A CASH PAYMENT BY THE CI'S CUSTOMER OF AT LEAST 15 PERCENT IS REQUIRED ON EACH TRANSACTION. A COMMITMENT FEE OF ONE HALF PERCENT IS CHARGED TO THE CI ON THE UNDISBURSED PORTION OF EXIMBANK'S SHARE OF THE LOAN BEGINNING 60 DAYS AFTER FINAL APPROVAL OF THE LOAN.

7. THE CONTRACT PRICE AND REPAYMENT TERMS APPLICABLE TO SALE OF CAPITAL EQUIPMENT IS AS FOLLOWS:

CONTRACT PRICE	REPAYMENT TERMS
UP TO 50,000 U.S. DOLS	UP TO 2 YEARS
50,001 TO 100,000 U.S. DOLS	UP TO 3 YEARS

100,001 TO 200,000 U.S. DOLS UP TO 4 YEARS
OVER 200,001 U.S. DOLS UP TO 5 YEARS

8. TO APPLY FOR CFF, A FINANCIAL INSTITUTION SHOULD SUBMIT THE FOLLOWING BY LETTER:

- (A) NAME AND ADDRESS OF INSTITUTION; TELEX DESIGNATION; NATURE OF THE INSTITUTION AND NAME OF OFFICIAL WHOM CORRESPONDENCE SHOULD BE ADDRESSED.
- (B) ESTIMATE OF U.S. EXPORTS TO FINANCE UNDER THE PROGRAM FOR A ONE YEAR PERIOD.
- (C) IDENTIFICATION OF OFFICERS WHO WILL BE AUTHORIZED TO UNCLASSIFIED

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- EXECUTE DOCUMENTS AND WHO WILL BE RESPONSIBLE FOR SUCCESSFUL USE OF THE PROGRAM.
- (D) AUDITED FINANCIAL STATEMENTS FOR THE PAST THREE YEARS AND OTHER INFORMATION WHICH ESTABLISH THE FINANCIAL CONDITION OF THE APPLICANT.
 - (E) ASSURANCE THAT ANY REQUIRED GOVERNMENTAL APPROVAL CAN BE SECURED.
 - (F) THE IDENTITY OF ANY AGENT BANK IN THE U.S. AUTHORIZED TO MAKE PAYMENTS, COLLECT DOCUMENTS, OR REQUEST FUNDS ON BEHALF OF THE APPLICANT.
 - (G) A JUSTIFICATION FOR EXIMBANK'S GUARANTEE TO A U.S. BANK PARTICIPATING IN THE LOAN WITH EXIMBANK IF SUCH A GUARANTEE PROVISION IS REQUIRED BY THE FOREIGN BANK.

9. THE EMPHASIS OF THE CFF PROGRAM IS TO ASSIST BUYERS IN LESS DEVELOPED COUNTRIES AND WE ENCOURAGE APPLICATIONS FROM ELIGIBLE FINANCIAL INSTITUTIONS IN YOUR AREA.

10. OUR CFF PUBLICATIONS ARE BEING REVISED. HOWEVER, WE ARE SENDING YOU, UNDER SEPARATE COVER, THE INFORMATION WHICH IS PRESENTLY AVAILABLE ON THE PROGRAM. CHRISTOPHER

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